

## REMARKS

### **Status**

[1] Claims 1- 149 are currently pending in this application and have been rejected in a Final Action dated 31 March 2006 to which this responds as a submission accompanying a Request for Continued Examination under 37 C.F.R. 1.114.

[2] Independent claims 1, 37, 72, 77, 81, 86, 88, 91, 98, 134, 140, 144, 146 and 148 have been amended in similar ways to add the following elements: choosing as the incentive award an investment vehicle that is equity in the incentive award program and calculating the incentive award according to a specified formula.

[3] Choosing the incentive award as an investment vehicle that is equity in the incentive award program is supported in the specification as published at least at ¶13, 16, 36, 38, 40, 46. Calculating the incentive award according to the specified formula is supported in the specification as published at least at ¶¶ 169-173, 177-181, 186, 194-200, 204 and Tables 7 and 8. Thus, no new matter has been added by these amendments.

[4] Dependent claims 2, 10, 12, 13, 14, 18, 35, 36, 38, 47, 48, 49, 50, 51, 52, 63, 70, 71, 73, 78, 82, 87, 89, 92, 99, 107, 109, 110, 111, 115, 123, 132, 133, 135, 138, 139, 141, 145, 147 and 149 have been **deleted** to conform the claims overall to the logic and scope of meaning now expressed in the amended independent claims.

[5] Dependent claims 19, 20, 21, 22, 25, 26, 27, 33, 62, 64, 68, 69, 94, 96, 97, 116, 117, 118, 119, 122, 124 and 131 have been **amended by removing elements** in order to conform them to the amended scope of meaning now expressed in the amended independent claims. Thus, no new matter has been added by these amendments.

[6] Dependent claims 95 and 102 have been amended to correct typographical errors. Thus, no new matter has been added by these amendments.

[7] Lastly, amended dependent claims 11, 56, 108 and 130 also conform to the amended claim scope and these amendments find support in the specification as published at least at ¶35, 38. Thus, no new matter has been added by these amendments.

[8] Considering the deletions made herein to the claims, currently 109 claims are pending in this application.

## **Interview Summary**

[9] A telephone interview was held on 24 May 2006 with Examiner John W. Van Bramer and the following participants: Inventor P. Christopher J. Gallagher and Attorney Loretta Smith.

[10] The following points were discussed in the interview:

- To overcome the 35 U.S.C. 112(2) rejection, it was proposed to limit the incentive award to that investment vehicle which is equity in the incentive award program itself.
- The Examiner indicated in the interview that this solution would overcome the 112 rejection.
- Considerable narrowing of the scope of claim 1 was proposed, specifically by reciting a wherein clause in which the incentive award would be calculated according to a known mathematical formula disclosed and fully discussed in the Examples.
- The Applicant discussed in detail with the Examiner that the use of this formula to calculate all incentive awards provided by the method results in the periodic and the cumulative overall issue of shares and thereby controls dilution in the equity of the incentive award program itself. The Applicant explained that use of this formula to calculate the award is the mechanism that allows the present method to pay out however many incentive awards as needed while simultaneously expanding the overall capitalization of the incentive award program such that the value of the equity of the program itself increases.
- It was discussed that calculating the incentive award using this formula was not disclosed or suggested by the references cited in the Final Action.
- The Examiner stated that the proposed narrowing amendment would require further search and Applicant's representative stated that a Request for Continued Examination would be forthcoming.

## **Advisory Action**

[11] In ¶2 of the Advisory Action dated 16 Jun 2006, the Examiner confirmed that narrowing the incentive award to be equity in the incentive award program would overcome the 112 rejections.

[12] In ¶3 of the Advisory, the Examiner maintained the rejections under 35 USC 103(a).

## **Rejections**

[13] Applicant re-asserts all remarks made in previous responses as if set forth fully herein.

### 35 USC §112(2)

[14] In ¶4 of the Final Action, the Examiner rejected claims 1 – 149 under this provision asserting that the no step has been provided that details what occurs if the incentive award is

chosen to be an investment vehicle other than an equity vehicle based on the performance of the incentive award program.

[15] Each independent claim has been amended to recite a step of choosing as the incentive award an investment vehicle that is equity in the incentive award program. These amendments have the effect of restricting the incentive award to be only an investment vehicle that is equity in the incentive award program. Thus, there is no unrecited pathway of providing an incentive award in this method. As amended, each step in the method is detailed with clarity and particularity. Applicant respectfully requests the withdrawal of this rejection.

[16] Further, to accommodate the Examiner's request on page 3 for more specificity regarding the investment vehicle that is equity in the incentive award program, Applicant has amended claims 11, 56, 108 and 130 to specifically recite various investment vehicles that constitute equity in incentive award program as disclosed in the specification. Moreover, in using the term "investment vehicle that is equity in the incentive award" in the independent claims, Applicant has relied on the specification in ¶¶17, 40, which clarifies that the business entity as operator of the incentive award program carries out the program as a profit-making enterprise and in doing so, creates an enterprise in which equity can be held.

35 USC §103(a)

Kalina-Markowitz Combination

[17] In ¶6 of the Final Action, the Examiner rejected all claims under this provision as obvious over U.S. Pat. No. 6,243,688 to Kalina in view of "Hubco seeks loyalty with discount shares customers offered stock-purchase plan", The Record, Bergen County N.J., Mar. 25, 1999, B.01 ["Markowitz"]. The Examiner states on page 4 that Kalina discloses an incentive award program providing an award in common stock and that Markowitz discloses a customer loyalty program whereby customers are offered options to purchase common stock in the company offering the reward. It is asserted that this combination would have motivated to provide an option for investing in a companies' stock.

[18] Applicant does not agree that Markowitz supplies a necessary element lacking in Kalina, namely providing an incentive award in an equity vehicle that appreciates/depreciates in the performance of the incentive award program itself. This is because the Markowitz customer loyalty program differs fundamentally from the present method. At best, Markowitz offered **but a discount** on the price of its shares to longtime customers, the discount percentage being tied to the length of custom. In the present method, the incentive award was provided in equity that rose or fell with the performance of the method itself.

[19] In this response, Applicant has chosen to amend the claims rather than traverse the rejection in order to distinguish over the prior art. Nonetheless, Applicant does not acquiesce to the Examiner's assertion that the cited combination suggests the modification of the present invention. And, Applicant preserves any later right to so argue.

[20] The claims as amended recite the following two elements: (1) that the incentive award is chosen to be an investment vehicle that is equity in the incentive award program itself; and (2) that the incentive award is calculated according to the formula  $F_n = F_1 R^{n-1}$ . Neither of these elements is disclosed, suggested or hinted at by the individual references or the combination.

[21] Moreover, although the formula  $F_n = F_1 R^{n-1}$  is known, the claims recite a novel and nonobvious invention because the present method calculates an award, which is equity in the incentive award program itself, according to this formula. Such a method is not remotely suggested by the combination. This is because the technical solution of the recited method differs utterly from either of the cited references. To the point, using the recited formula to calculate the award and providing the reward in equity in the award program itself provides the following technical solution:

- the incentive award program can reward all possible transacting parties at the same time that
- it allows the dilution of the overall reward at the same time that
- such dilution facilitates the award program's continuous growth at the same time that
- the individual awards, after a period of vesting, can be surprisingly substantial.

Thus, in other words, the claims as recited define a method distinguished over the prior art by the claimed ability to provide large awards to any and all transacting parties, no matter how many, in amounts that have little to do with the underlying transaction amount. This is discussed at ¶13 and exemplified at least at Table 8 and accompanying description. This is most obviously not the technical solution of either Kalina or Markowitz, which do not remotely suggest how the incentive award program itself can become a profit-making enterprise and grow simply by awarding rewards to transacting parties. That is ultimately the technical solution of the present program and is directly dependent on the kind of equity awarded and the manner of calculating it.

[22] Since the combination does not recite all claimed elements and since the combination cannot suggest the technical solution of the present method, Applicant respectfully requests the withdrawal of this rejection.

Kalina-Markowitz-Ferguson Combination

[23] In ¶7 of the Final Action, the Examiner rejected claims 86-90, 146 and 147 as unpatentable over Kalina in view of Markowitz and in further view of U.S. Pat. No. 5,991,736 to Ferguson et al. [“Ferguson”].

[24] Applicant re-asserts the arguments above at ¶16-21. Ferguson does not provide the recited elements of: choosing the incentive award as an investment vehicle that is equity in the incentive program, or: of calculating the incentive award using the specified formula. Thus, Ferguson does not rehabilitate the combination. According the combination does not state a *prima facie* case of obviousness and Applicant respectfully requests the withdrawal of this rejection.

[25] In view of the foregoing, allowance of the above-referenced application is respectfully requested.

Respectfully submitted,

  
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